

# 1995 ANNUAL INDEX

## Volume 48 - Index by Subject

### AUTO INSURANCE

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- Financing Uninsured Motorist Insurance Via a Pay-at-the-Pump Plan, David Sommer, Ph.D., Elbert G. Miller, Ph.D., CPCU, CLU, and George E. Hoffer, Ph.D. In the September edition of the CPCU Journal, the article entitled, "Pay-at-the-Pump Auto Insurance: Could It Work?" by Berg, Dunnibier, and Litwinko, attributed Tobias with the development of pay-at-the-pump auto insurance. This article cites the well-developed body of literature published in academic journals by the authors since 1973.

A growing problem for automobile insurance systems is the increasing number of uninsured motorists on the nation's roads. The cost of accidents associated with these financially irresponsible motorists now falls entirely on those who purchase insurance. This article demonstrates how the pay-at-the-pump method of collecting premiums can be used to finance only uninsured motorist insurance, resulting in a more equitable distribution of the cost of these accidents. The major advantage of this approach over the approach proposed by Tobias and analyzed by Berg, Dunnibier, and Litwinko is that the basic systems of underwriting, distribution, and claims reimbursement remains unchanged. **March, p. 10**

- Pay-at-the-Pump is No Panacea, Richard A. Stohlmeyer, CPCU. Opinion. This is an evaluation of the arguments advanced in the article "Pay-at-the-Pump Auto Insurance: Could It Work?" that appeared in the September 1994 CPCU Journal. In this article the author takes issue with both the objectivity of the authors of that article and the conclusions they reached. Specific statements and conclusions expressed in the original article are identified, analyzed, and critiqued as to their logic, accuracy, and underlying bias. **June, p. 72**

### CATASTROPHES

- Crisis in the Wind—Why Action is Needed Now to Prepare for Tomorrow's "Killer Hurricanes," Wayne Durham, CPCU, Steve Johnson, CPCU, and Julian Winston, CPCU. The hurricane is nature's most destructive and deadly storm, yet we know little about the nature of these meteorological "monsters of the sea." This article attempts to provide basic information about hurricanes, hurricane predicting methods, and efforts by the government and the insurance

industry to respond to the public's need to obtain insurance coverage against the catastrophic loss potential of this formidable peril. **March, p. 17**

- How Have the Catastrophes of 1992 Affected Solvency, Capacity, and Reinsurance in the Property and Casualty Industry? Contributing members of the Research Committee of the CPCU Society's Columbus Chapter, Ohio State University Chapter of Gamma Iota Sigma, and Erie Insurance Group. The catastrophes of 1992 rocked the property and casualty insurance industry to its core. Five major and a score of minor catastrophes came on the heels of a decade of large catastrophes, unfavorable court rulings, renewed consumer activism, and a slumping investment market. The sting of almost \$23 billion in domestic catastrophe payments has drawn the attention of regulators, insurers, and customers around the world. How will this draw on capital affect industry solvency, capacity, and reinsurance? This article looks to answer this question and point toward the future of the property and casualty industry. **June, p. 76**

### CLAIMS

- Maryland House Bill 760—"The Lead Poisoning Prevention Program": How New State Legislation Addresses the Insurability of Lead-Based Paint Hazards in Private Rental Housing, Jackson L. Anderson Jr., CPCU, and Lisa A Kershner, J.D. It is estimated that 1.7 million children have elevated blood lead levels that can lead to reductions in a child's IQ and attention span and result in reading and learning disabilities, hyperactivity, and behavioral difficulties. A primary cause of childhood lead poisoning is deteriorating lead-based paint and lead-contaminated dust and soil in older housing.

The potential for legal liability exposure under general liability policies from lead poisoning is enormous. Many insurance companies are viewing this exposure as the next legal liability "crisis" area. The state of Maryland has passed House Bill 760 to address the issues of prevention and insurability of lead poisoning. This bill could act as a model for future legislation in other states. **March, p. 50**

- The Effect of Mandating Sinkhole Coverage in Florida Homeowners Insurance Policies, Kevin L. Eastman, Ph.D., Ann M. Butler, and Claude C. Lilly III, Ph.D., CPCU, CLU. This article examines the rationale and nature of mandating sinkhole coverage in homeowners policies sold in Florida and the effect of this mandate on insurance company losses and premiums. While the article focuses only on the requirement of sinkhole coverage in Florida, it identifies problems with such an approach that may be applicable to other states that have mandated various coverages related to earth movement and other potentially catastrophic perils. Empirical evidence suggests that both the frequency and

severity of sinkhole claims have increased dramatically over time. Problems related to land remediation and insurer ability to distinguish sinkhole damage from damage caused by excluded perils indicate that a residual market mechanism similar to the Illinois Mine Subsidence Fund may be appropriate for dealing with the sinkhole problem in Florida. **September, p. 165**

- The Relationship between Job Satisfaction and Workers Compensation Claims, Jon Gice, CPCU. Researchers have studied factors that may cause workers compensation claims since this form of insurance coverage became available in this country. These factors range from a worker's age and physical conditioning to the worker's personality and emotional state. The most impressive results of this research can be found in studies of job satisfaction—a factor that plays a significant role in workers compensation.

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- Insurance Internships Are Needed—for Faculty Members, Barry D. Smith, Ph.D., CPCU, CLU, FLM. Editorial. **December, p. 195**

### ENVIRONMENTAL LIABILITY

- Environmental Liability: Past, Present, and Future, Barry D. Smith, Ph.D., CPCU, CLU, FLM. Editorial. **June, p. 67**

### FINANCIAL

- Accounting for Debt and Equity Investments: Implications for the Insurance Industry, Kenneth W. Hollman, Ph.D., CLU, ChFC, CIC, CEBS, and Arlette C. Wilson, Ph.D., CPA, CMA, CIA. The Financial Accounting Standard Board has issued a new standard on accounting for debt and equity investments that may have a substantial impact on how insurance companies account for these types of investments. Investments that were once carried at amortized cost by insurance companies will now be reported at fair value with the unrealized gains and losses included as a separate component of stockholders' equity. Therefore, insurance companies may need to rethink their investment strategies to help minimize equity volatility as fair values change. **December, p. 217**

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## JUDICIAL

- **Back to the Future: Coverage Claims under Corporate Predecessor General Liability Policies for CERCLA Liability,** Eric L. Routman, J.D., CPCU, and José A. Isasi II, J.D. With claims for insurance coverage for environmental contamination continuing to rise, policyholders are looking for alternate or multiple sources of insurance recovery. Often, one corporation finds itself subject to environmental liability due to the acts of a predecessor corporation with whom it has merged. Insurance claims professionals face, with increasing regularity, claims for insurance coverage by a successor corporation under a policy issued to a predecessor or claims under the successor corporation's own policies for the acts of its predecessor. This article addresses the emerging legal trends which will ultimately define the scope of coverage for these claims.

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## LEGAL

- **A Tool to Help Insurance Company Management Assess Attorney Efficiency and Productivity,** Chauncey M. DePree Jr., DBA, Rebecca Kathryn Jude, J.D., and Leslie D. Turner, DBA, CMA. Insurance companies are striving to monitor and control legal services and costs. Data Envelopment Analysis (DEA) provides managers with a powerful analytic tool to help accomplish these goals. DEA has been applied to a variety of organizations and individuals, including banks, fast food restaurants, hospitals, manufacturers, utilities, professional athletes, and mining and transportation companies. Unlike other assessment tools, DEA identifies best performance and provides benchmarks to guide improvement of inefficient performance.

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- **If You Paid for Legal Services Recently, Chances Are You Paid Too Much: Hourly Billing and the "Reasonable" Attorney Fee Standard,** Karen A. Reardon, J.D., Scott G. Golinkin, J.D., and E. Fitzsimmons Dunne, J.D.

There are many losses, such as hurricanes, earthquakes, and other natural disasters, that insurers cannot control. However, insurers can exercise a great deal of control over one of their costliest expenditures—legal costs—and should be knowledgeable about existing methods to effectively control these costs.

This article sets forth the current problems associated with billing by legal service providers. In addition, it provides standards that insurers should keep in mind when reviewing legal bills, and considers the advantages and disadvantages to alternative methods to traditional hourly billing. Finally, the article reviews the types and consequences of remedies that are available when fee disputes arise between an insurer and the attorney it has retained.

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## LIABILITY INSURANCE

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- **Closing the Gap between Domestic and Foreign General Liability Policies for Product Liability Coverage,** John F. Mina. U.S. business continues to grow overseas and many insureds are obtaining foreign liability insurance to cover their exposures. Unfortunately, they may not be getting the coverage that they think they are buying. This article reviews the gaps that appear between domestic and foreign liability policies, shows how to identify them, and provides some suggestions for eliminating them.

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- **Personal Umbrella Liability Insurance—A Critical Analysis,** John R. Chesebrough, CPCU, CLU, ChFC, and George E. Rejda, Ph.D., CLU.

The authors surveyed 59 major property and liability insurers to determine if personal umbrella policies are reasonably consistent with respect to covered and excluded losses, to determine if personal umbrella policies are evolving into an excess liability policy with fewer "drop down" coverages, and to determine if personal umbrella policies meet the personal liability insurance needs of most consumers. Three major conclusions emerge: (1) personal umbrella policies vary widely among insurers with respect to covered and excluded loss exposures; (2) there is no clear evidence that personal umbrella policies are evolving into an excess liability policy with fewer "drop down" coverages; and (3) personal umbrella policies meet an important consumer need for excess liability insurance, but both agents and companies have a greater obligation to educate consumers who buy such policies.

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- **The Economic Loss Doctrine and the CGL: Confusing Disappointment with Disaster,** Michael S. Hale, J.D., CPCU, AAI, CIC, LIC.

We are compelled to rely heavily on the legal interpretation of insurance policies, and the "economic loss doctrine" has in fact emerged as critical to the interpretation of the CGL in recent times, as represented by the fair number of recent appellate court decisions on this issue throughout the country.

An analysis is presented of some of the exposures created by the economic loss doctrine as related to commercial enterprises, how some courts have interpreted it, and finally, a discussion of the liability insurance coverage implications and possible alternatives.

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- **Variations in Commercial Umbrella Coverage,** George Flanigan, Ph.D., CPCU, Rosemary Baptiste, CPCU, Thomas Beadles, James Carson, Ph.D., CLU, Jennifer Ho, CPCU, John Jolliff, CPCU, Tom Sutter, and Phyllis Willett. This article briefly reviews the history and traces the evolution of the commercial umbrella liability contract. A sample of umbrella liability forms found in the contemporary marketplace is examined. The article identifies, classifies, and discusses differences in policy forms with respect to selected features of commercial umbrella policies. By noting such differences, the article identifies trends and developments in this important market and discusses future directions of umbrella coverage.

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## MANAGEMENT

- **A Summary of the 1994 CPCU Journal Readership Survey,** Barry D. Smith, Ph.D., CPCU, CLU, FLM. This article summarizes the findings from the 1994 CPCU Journal Readership Survey. It begins by profiling the respondents to the survey, carefully differentiating between readers who are members of the CPCU Society and those who are not. The article then highlights the responses on several different topics, including areas of readership interest and

readership perspective on content characteristics of the CPCU Journal. The article concludes by addressing how the findings from the survey might impact future editions of the CPCU Journal. The readership is quite diverse, so the survey results present a challenge for the editor of the Journal to satisfy the needs of the readership.

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- **A Tool to Help Insurance Company Management Assess Attorney Efficiency and Productivity:** Chauncey M. DePree Jr., DBA, Rebecca Kathryn Jude, J.D., and Leslie D. Turner, DBA, CMA. Insurance companies are striving to monitor and control legal services and costs. Data Envelopment Analysis (DEA) provides managers with a powerful analytic tool to help accomplish these goals. DEA has been applied to a variety of organizations and individuals, including banks, fast food restaurants, hospitals, manufacturers, utilities, professional athletes, and mining and transportation companies. Unlike other assessment tools, DEA identifies best performance and provides benchmarks to guide improvement of inefficient performance.

September, p. 155

- **Creating the Learning Organization—An Essential Ingredient for Attaining Customer Loyalty:** David M. Stambaugh, CPCU. Business magazines frequently report on how insurance companies are downsizing, restructuring, and reengineering. Amazingly, fewer than 30 percent of these actions achieve tangible results. Success takes more than rearranging the deck chairs. Meanwhile, the Investment in Human Capital Study commissioned by Washington State's Office of Financial Management states, "The economy is being damaged by an alarming shortage of skilled, knowledgeable workers." In today's environment of permanent and continuous change, the personal growth and thinking contribution of every employee will have a significant impact on a company's and an agency's long-term performance. It is performance, not product and price, that wins the day with customers. In the future, the most successful companies and agencies will become learning organizations that understand how to leverage their combined skills and knowledge to simply outperform the competition.

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- **If You Paid for Legal Services Recently, Chances Are You Paid Too Much: Hourly Billing and the "Reasonable" Attorney Fee Standard:** Karen A. Reardon, J.D., Scott G. Golinkin, J.D., and E. Fitzsimmons Dunne, J.D. There are many losses, such as hurricanes, earthquakes, and other natural disasters, that insurers cannot control. However, insurers can exercise a great deal of control over one of their costliest expenditures—legal costs—and should be knowledgeable about existing methods to effectively control these costs.

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when fee disputes arise between an insurer and the attorney it has retained.

September, p. 145

- **Re-Engineering: The Big Bang Theory of Reinventing the Organization:** George A. White, CPCU, AIM. Opinion. Re-engineering is a term often misused in our industry to label any kind of organizational change. Some companies and agencies have successfully used re-engineering concepts and practices to become more effective and competitive. Some organizations have used the term to justify layoffs because of planned reductions in the work force, acquisitions, or mergers. The purpose of this article is to identify the attributes of re-engineering and its long and short-term effects in the insurance industry. Re-engineering has its pitfalls, but the benefits to both the organization and the individual may be worth the effort.

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- **TQM: Old Wine in a New Bottle?** John Scott Hoff, J.D., CPCU. Opinion. In this article, the author discusses whether the concept of Total Quality Management (TQM) is a revolutionary management idea or simply a rehashing of old principles that have been in use for many years. While the author concludes that there is little new or revolutionary about TQM, he believes every organization can benefit by applying its basic tenets.

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- **Workplace Violence: Analysis of the Issues and Recommendations to Reduce the Exposure,** contributing members of the Research Committee of the CPCU Society's Upstate South Carolina Chapter. Volumes of research on violence in America, specifically violence in the workplace, have appeared in many professional trade journals as well as in newspapers and on the air waves. The purpose of this article is to summarize the major issues on violence in the workplace, focusing on the incidence of violence in the workplace, loss exposures violence presents to businesses, and measures and recommendations to reduce the exposures.

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## PROPERTY INSURANCE

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## REGULATION

- **Enhancing State Regulation of Insurance through the Interstate Compact,** John M. Manders, M.S., J.D. In this article the author examines the use of the interstate compact as a mechanism for the continued regulation of the business of insurance by the states. The last decade has produced a new series of congressional investigations into the state regulatory system, producing a list of federal criticisms of the system's effectiveness. Of major concern is the states' handling of the numerous insolvencies that occurred first in the property and casualty business during the 1980s and the more recent failure of several large multistate life insurance companies. These criticisms have generated a flurry of corrective activity on the part of state regulation, the most notable being the development and partial implementation of the National Association of Insurance Commissioner's Financial Standards Accreditation program. While this program addresses most of the federal concerns, one major criticism remains unanswered—the NAIC's lack of compulsory enforcement power for its decisions on member states. This article suggests that implementation of the constitutionally sanctioned interstate compact device used in conjunction with the NAIC accreditation program could counteract the remaining criticism of state regulation and, in the process, provide a stronger and more uniform approach to the handling of selected problems presently confronting it.

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## UMBRELLAS

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- **The New Era in Catastrophe Claims: A Reinsurer's Perspective,** Frank J. Acolina **p. 19**
- **Treating the Agony of Assumptions,** Paul Walther, CPCU **p. 23**
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## CONSULTANTS DIRECTORY, SUPPLEMENT, DECEMBER ISSUE

# CPCU

## Article Reprints

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**Creating the Learning Organization: An Essential Ingredient for Attaining Customer Loyalty**

by David M. Stambaugh, CPCU

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